anomic, anxious and prone to anger. The warning sign is political disengagement.

Why should those who do not think they are part of it care about the growth of the precariat? There is the altruistic reason, which is that we would not wish to be there ourselves and therefore would wish better for those facing such an existence. But there are other reasons too. Many of us fear falling into the precariat or fear that our family and friends will do so. The elite and the smugger parts of the salariat and proficians may think that, in a world of diminished social mobility, they themselves will remain comfortable and immune. But they might be alarmed by the thought that the precariat is an emerging dangerous class. A group that sees no future of security or identity will feel fear and frustration that could lead to it lashing out at identifiable or imagined causes of its lot. And detachment from the mainstream of economic affluence and progress is conducive to intolerance.

The precariat is not a class-for-itself, partly because it is at war with itself. One group in it may blame another for its vulnerability and indignity. A temporary low-wage worker may be induced to see the 'welfare scrounger' as obtaining more, unfairly and at his or her expense. A long-term resident of a low-income urban area will easily be led to see incoming migrants as taking better jobs and leaping to head the queue for benefits. Tensions within the precariat are setting people against each other, preventing them from recognising that the social and economic structure is producing their common set of vulnerabilities. Many will be attracted by populist politicians and neo-fascist messages, a development already clearly visible across Europe, the United States and elsewhere. This is why the precariat is the dangerous class and why a 'politics of paradise' is needed that responds to its fears, insecurities and aspirations.

2

Why the precariat is growing

To understand why the precariat is growing one must appreciate the nature of the Global Transformation. The globalisation era (1975–2008) was a period when the economy was 'disembedded' from society as financiers and neo-liberal economists sought to create a global market economy based on competitiveness and individualism.

The precariat has grown because of the policies and institutional changes in that period. Early on, the commitment to an open market economy ushered in competitive pressures on industrialised countries from newly industrialising countries (NICs) and 'Chindia' with an unlimited supply of low-cost labour. The commitment to market principles led inexorably towards a global production system of network enterprises and flexible labour practices.

The objective of economic growth – making us all richer, it was said – was used to justify rolling back fiscal policy as an instrument of progressive redistribution. High direct taxes, long used to reduce inequality and to provide economic security for low earners, were presented as disincentives to labour, save and invest, and as driving investment and jobs abroad. And a reorientation of social protection from social solidarity to dealing with poverty and with people deemed social failures ushered in a trend to means-tested social assistance and from that to 'workfare'.

A central aspect of globalisation can be summed up in one intimidating word, 'commodification'. This involves treating everything as a commodity, to be bought and sold, subject to market forces, with prices set by demand and supply, without effective 'agency' (a capacity to resist). Commodification has been extended to every aspect of life – the family, education system, firm, labour institutions, social protection policy, unemployment, disability, occupational communities and politics.

In the drive for market efficiency, barriers to commodification were dismantled. A neo-liberal principle was that regulations were required to prevent collective interests from acting as barriers to competition. The globalisation era was not one of *de-regulation* but of *re-regulation*, in which more regulations were introduced than in any comparable period of history. In the world's labour markets, most new regulations were directive, telling people what they could and could not do, and what they had to do to be beneficiaries of state policy.

The attack on collective institutions encompassed firms as social institutions, trades unions as representatives of employees, occupational communities as guilds of crafts and professions, education as a force for liberation from self-interest and commercialism, the family as an institution of reciprocity and social reproduction, and the civil service as guided by an ethics of public service.

This concoction splintered labour arrangements and created a class fragmentation, made more striking by the 'tertiarisation' of work and labour associated with a decline in manufacturing and a drift to services. This chapter fleshes out this picture, not exhaustively but in enough detail to appreciate why the precariat is becoming a global class.

The global transformation

Since the 1970s, the world economy has become integrated, to the extent that developments in one part of the world almost instantly affect what happens elsewhere. In the 1970s, movements on one stock exchange were matched by similar movements in others only in a minority of cases; today, they move in tandem. In the 1970s, trade was a small part of national income in many countries and took place mainly in complementary goods; today it involves goods and services flowing in all directions with an increasing share consisting of parts of goods and services, much within multinationals' own networks. Relative labour costs have become a much greater part of the trading process.

Capital and associated employment are flowing from Organisation for Economic Co-operation and Development (OECD) countries to emerging market economies. This will continue. Capital per person in China, India, Indonesia and Thailand is three per cent of that in the United States. Productivity in these economies will rise for many years simply by the construction of more machines and infrastructure. Meanwhile, industrialised countries will become *rentier* economies, in which average real wages will not rise or be a means of reducing inequality.

The emerging market economies will continue to be a primary factor in the growth of the precariat. There will be no reversal of this aspect of globalisation. It is folly for those worried about inequality and economic insecurity in today's rich countries to imagine that an effective response to the financial shock of 2008 and the subsequent economic crisis would be to retreat into protectionism. Regrettably, however, as we shall see, governments have reacted in ways that have merely intensified the insecurities and inequalities that underpinned the crisis.

The emergence of Chindia

Globalisation marked the emergence of what we may call 'Chindia', which has profoundly changed social and economic life everywhere. The combination of China and India is not quite right; they are countries with different cultures and structures. However, for our purposes, Chindia makes a convenient short-form metaphor.

Before globalisation, the labour markets of economies open to trade and investment had about 1 billion workers and job seekers (Freeman, 2005). By 2000, the labour force of those countries had risen to 1.5 billion. Meanwhile, China, India and the ex-Soviet bloc had entered the global economy, adding 1.5 billion. So the labour supply in the globalising economies trebled. The newcomers came with little capital and with very low wages, altering the world's capital-labour ratio and weakening the bargaining position of workers outside Chindia. Since 2000, other emerging market countries have added to the supply, including Vietnam, Indonesia, Cambodia and Thailand, with Bangladesh and others entering the picture. A new term has become popular, 'China Plus One', implying that multinationals will hedge their strategy by having plants in at least one other country as well as China. Vietnam, with 86 million people, is a leading candidate, with real wages that have stayed constant for two decades. In 2010, a textile worker there earned US$100 per month, a tiny fraction of wages in the United States or Germany, for example.

Symbolising the speed of change, for 40 years Japan was the world's second largest economy after the United States, and in 2005, in dollar terms, China's gross domestic product (GDP) was still half as big as Japan's. In 2010, China overtook Japan and was closing on the United States. India is racing up behind, growing prodigiously year on year.

China's growth has been led by state investment, notably in infrastructure, and by foreign direct investment. Multinationals have rushed in, using surrogates from around China. They have herded hundreds of thousands of workers into hastily built industrial parks, housing them in dormitory compounds, forcing them to work so intensively that most leave within three years. They might fit the image of an industrial proletariat, but they are treated as a disposable itinerant labour force. Pressure to raise wages has grown. But they are so low that they will long remain a small fraction of wages in rich industrialised countries, as will unit labour costs, especially as productivity is rising sharply.

China has contributed to global income inequality in several ways. Its low wages have put downward pressure on wages in the rest of the world and widened wage differentials. It has kept its own wages remarkably low. As growth accelerated, the share of wages in national income fell for 22 consecutive years, falling from a low 57 per cent of GDP in 1983 to just 37 per cent in 2005. This makes China the most 'capitalistic' large economy in history.

Foxconn, the world's largest contract manufacturer, epitomises the connivance of multinationals in the abuses in the industrial parks that have sprung up in China. A subsidiary of Taiwan's Hon Hai Precision Industry Company, it employs 900,000 people in China. Half are in 'Foxconn City' in Shenzhen, with its fifteen-storey manufacturing buildings, each dedicated to one customer, such as Apple, Dell, HP, Nintendo and Sony. Foxconn City expanded by using a strategy of hiring rural-urban migrants for pitifully low wages, expecting labour turnover of 30–40 per cent a year as successive cohorts burnt themselves out.

Its working arrangements helped increase the global precariat. The low wages and labour intensity (including 36 hours of overtime a month), belatedly brought to the world's attention by a spate of suicides and attempted suicides in 2009 and 2010, forced firms elsewhere to try to compete by cutting wages and opting for flexible labour.

Those suicides had an effect. Following adverse publicity and unofficial strikes, Foxconn raised wages. But one outcome will be cuts in free lodging and food as well as in the extensive recreation facilities. The immediate reaction of Foxconn to the suicides was paternalistic. It surrounded its buildings with nets to catch people if they jumped, hired counsellors for distressed workers, brought in Buddhist monks to calm them and considered asking employees to sign 'no suicide' pledge notes. Silicon Valley celebrities in California expressed concern. But they had no reason for surprise. They had made billions of dollars from the ridiculously low-cost products.

Foxconn is a metaphor for globalisation. It will change its model, raising wages in its primary zone, cutting enterprise benefits, moving more production to lower cost areas and shifting to more precarious employees. The great engine of outsourcing will outsource itself. However, Foxconn and the Chinese development model have accelerated changes in the rest of the world to a structure in which the precariat will become the centre of attention.

Commodification of the firm

An aspect of globalisation that has attracted less attention but which has contributed to the growth of the precariat is the way companies themselves have become commodities, to be bought and sold through mergers and acquisitions. Although long part of capitalism, these used to be quite rare. The frenzy with which firms are now traded, split up and repackaged is a feature of global capitalism. And corporations are increasingly owned by foreign shareholders, led by pension and private equity funds.

The commodification of companies means that commitments made by today's owners are not worth as much as they used to be. The owners could be out tomorrow, along with their management teams and the nods-and-handshakes that make up informal bargains about how labour is done, how payments should be honoured and how people are treated in moments of need.

In 1937, Ronald Coase set out a theory that was to earn him a Nobel Prize in Economics. He argued that firms, with their hierarchies, were superior to atomised markets made up solely of individuals; they reduced the transaction costs of doing business, one reason being that they fostered long-term relationships based on trust. This reasoning has collapsed. Now that opportunistic buyers can amass vast funds and take over even well-run companies, there is less incentive to form trust relationships inside firms. Everything becomes contingent and open to re-negotiation.

For years academic journals were full of articles on national 'varieties of capitalism'. These are fusing into one global hybrid, closer to the Anglo-Saxon shareholder model than to the German stakeholder model, as Japan's example illustrates. The 'Japanese miracle' in the 1960s and 1970s was based on the firm as a social institution, with rigid hierarchies, lifetime employment, seniority-based wages and company unions. This was suited to a country entering the world economy from a low-income base. But the model's rigidities hindered its adaptability in the globalisation era.

Eventually, the government rewrote corporate law to move towards the US model, enabling firms to introduce performance-related wages, share options, outside directors, promotions based on competence rather than age, pursuit of shareholder value and the hiring of salaried employees in mid-career. The firm was being commodified, orchestrated by financial capital and by owners – shareholders not managers. It was not fully Americanised, but the trend was clear.

The proportion of shares held by foreigners rose nearly sixfold between 1990 and 2007. Issuing shares became common, leaving firms open to takeover. Until the late 1990s, there were fewer than 500 mergers and acquisitions a year; in 2006, there were nearly 3,000. The change was due to a reform that allowed companies to use shares to buy other firms, while accounting reforms obliged firms

to be more transparent. In 2007, a law allowed 'triangular mergers', enabling foreign companies to use shares to buy Japanese firms via subsidiaries.

The takeover threat led companies to curb lifetime employment, mainly through staff attrition without replacement by regular employees. The proportion of firms describing themselves as 'shareholder focused' rose to 40 per cent in 2007, while the share saying they were 'worker focused' fell to just 13 per cent.

Other countries have commodified the firm in similar ways, thereby making life more insecure for employees. Even those in the salariat can now find that overnight they have lost employment and other forms of security because their firm has been taken over or declared bankrupt prior to restructuring. For their part, as a partial defence, companies want more flexible labour forces so that they can respond quickly to external threats.

Commodification has also made the division of labour within enterprises more fluid. If activities can be done more cheaply in one location, they are 'offshored' (within firms) or 'outsourced' (to partner firms or others). This fragments the labour process; internal job structures and bureaucratic 'careers' are disrupted, due to uncertainty over whether jobs people might have expected to do will be offshored or outsourced.

The disruption feeds into the way skills are developed. The incentive to invest in skills is determined by the cost of acquiring them, the opportunity cost of doing so and the prospective additional income. If the risk increases of not having an opportunity to practise skills, investment in them will decline, as will the psychological commitment to the company. In short, if firms become more fluid, workers will be discouraged from trying to build careers inside them. This puts them close to being in the precariat.

The firm is becoming more portable than employees, in terms of its ability to switch activities. Many employees cannot relocate easily. They may have a partner earning an income, children locked into a school trajectory, elderly relatives to care for. This risks disrupting occupational careers, tending to push more into a precariat existence.

For a growing number of workers in the twenty-first century, it would be folly to regard a firm as a place for building a career and gaining income security. There would be nothing wrong with that, if social policy were adapted so that all those working for companies are able to have basic security. At present, that is far from being the case.

The sirens of labour flexibility: Labour re-commodification

The pursuit of flexible labour relations has been the major direct cause of the growth of the global precariat. How flexibility has grown globally has been considered elsewhere (Standing, 1999b). Here we will just highlight aspects accelerating the growth of the precariat by thinking of the main forms – numerical, functional and wage – of flexibility.

The flexibility drive is unfinished business, as is shown every time there is an economic dip, when commentators trot out the same call for more. It is a process of labour re-commodification, making the labour

relationship more responsive to demand and supply, as measured by its price, the wage. This has meant eroding all seven forms of labour security identified in Chapter 1. Too many commentators concentrate on one aspect, the reduction of employment security by making it easier to fire employees, reducing the costs of dismissal and facilitating the use of casual and temporary employees. Although this is part of the process, diminishing employment security is used to increase other forms of flexibility.

Stable employees are more inclined to organise collectively, since they are more secure and confident in taking on their employers. Employment security goes with representation security. Similarly, being a citizen worker means feeling in control of one's occupational development. Without other forms of security employees have no skill security, since they fear being shifted around, instructed to do tasks outside their personal plans or aspirations.

The key point is that flexible labour relations are an imperative in the global labour process. We must understand what is entailed, not with an atavistic desire to reverse the changes but to identify what would be needed to make them tolerable.

Numerical flexibility

For three decades, making it easier to fire workers has been advocated as a way of boosting jobs. This, it is argued, will make potential employers more inclined to employ workers since it will be less costly to be rid of them. Weak employment security has been depicted by the International Monetary Fund (IMF), the World Bank and other influential bodies as necessary to attract and retain foreign capital.

Governments have accordingly competed with one another in weakening employment protection and have made it easier to employ workers with no such protection.

The dominant image of the precariat stems from numerical flexibility, through what were long called 'atypical' or 'non-standard' forms of labour. Mainstream companies are contracting out much of their labour, while preserving a small salariat (corporate citizens) whose loyalty they value and with whom they share a key asset – *knowledge*, the rent-seeking capacity of tertiary firms. If knowledge is shared too widely, companies lose control of the asset. The salariat are citizens with voting rights in their firms, consulted or taken into account in a range of decisions. These rights are implicitly accepted by the owners or major shareholders, who have voting rights on the strategic decisions of the enterprise or organisation.

A feature of flexibility is the growing use of temporary labour, which allows firms to change employment quickly, so that they can adapt and alter their division of labour. Temporary labour has cost advantages: wages are lower, experience-rated pay is avoided, entitlement to enterprise benefits is less and so on. And there is less risk; taking on somebody temporarily means not making a commitment that might be regretted, for whatever reason.

Where services predominate, labour tends to be project oriented rather than continuous. This brings more fluctuation in labour demand, making use of temporary labour almost necessary. There are also less tangible factors promoting its growth. People on temporary contracts can be induced to labour harder, especially if the jobs are more intense than regulars have been doing. Regulars may resent change. Those on temporary contracts can also be put in forms of

underemployment more easily, paid less for fewer hours in down periods, for example. They can be controlled through fear more easily. If they do not put up with demands placed on them, they can be told to leave, with minimal fuss and cost.

Temporary workers are used to extract concessions from others, who are warned that they will be displaced if they do not adapt. For instance, chambermaids working for Hyatt Hotels in the United States, with contracts stipulating eight-hour days and regular routines, suddenly found they were working alongside agency temps pressurised to work 12-hour days and to clear more rooms (30 per shift). The regulars were being replaced.

The most striking example is the withering of Japan's salaryman model. Companies have put a freeze on hiring youths in lifetime positions and have turned to temporary contracts. Paid much less, the temporaries are denied training opportunities and benefits. Some factories even oblige workers to wear jumpsuits of different colours according to their employment status, a case of life imitating fiction, bringing to mind the alphas and epsilons of Aldous Huxley's *Brave New World*.

A simple reason for using more temporaries is that other firms are doing so, conferring a cost advantage. Competitiveness through use of temporary labour is increasingly important in the global system as companies seek to emulate what is done in other countries and by market leaders in their sector – a pattern known as 'the dominance effect'. Multinationals try to establish their employment model in places where they set up subsidiaries, usually edging out local practices. Thus McDonald's 'best practice' model involves deskilling, removal of long-serving employees, union busting, and lower wages and enterprise benefits. Others follow suit. Observers have highlighted the repertoires of labour practices on which managers can draw (Amoore, 2000; Sklair, 2002; Elger and Smith, 2006; Royle and Ortiz, 2009). Some use 'yellow unions' – set up and run by employers – to defeat independent unions. A global model is emerging in which corporate, technological and political factors influence the choice of tactics. To imagine sustained effective resistance is fanciful.

Another example is Walmart, the United States' largest and standard-setting retailer and the source of the fortunes of four of its richest ten people. It thrives on a sophisticated just-in-time process in which controlling labour costs through extreme labour flexibility has made it one of the most detested models in the world. Temporary labour is the essence of the system. Object to what goes on and you are out.

The shift to temporary labour is part of global capitalism. It has been accompanied by a growth of employment agencies and labour brokers, which have helped firms to shift faster to temporaries and to the contracting out of much of their labour. Temporary agencies are giants shaping the global labour process. Switzerland-based Adecco, with 700,000 people on its books, has become one of the world's biggest private employers. Pasona, a Japanese staffing agency set up in the 1970s, sends out a quarter of a million workers every day on short-term contracts. Pasona's founder says flexibility is beneficial for firms and workers, and dismisses the old norm of long-term employment as sentimental. 'Be a regular worker – and be exploited for the rest of your life', he told *The Economist* (2007). Like European and American agencies, Pasona has established dozens of subsidiaries dealing with outsourcing projects and production in Asian countries and the United States.

Traditionally, temporary agencies focused on clerical staff and menial jobs, such as cleaning and hospital auxiliaries. Then some hit on the lucrative sphere of 'welfare claimants'. They are now going increasingly into the professional arena, regarded as higher margin business. For instance, Adecco is shifting from 20 per cent professional, and 80 per cent clerical and blue-collar, to one-third professional.

The growth of temporary labour, multinational employment agencies and seedy labour brokers that figure in countries such as South Africa has been facilitated by legislative changes and has been legitimised by bodies such as the International Labour Organisation, which reversed its opposition to private employment agencies in the 1990s. In Japan, a 1999 law overturned a ban on temporary contracts and allowed private employment agencies in more areas; after 2004, they were allowed in manufacturing. These reforms undoubtedly contributed to the growth of the Japanese precariat. In Italy, the precariat was enlarged by the Treu law of 1997, which introduced temporary contracts, and by the 2003 Biagi law, which allowed private recruitment agencies. One country after another has acknowledged the pressure of globalisation in extending temporary labour.

It has accompanied what goes under the clumsy term of 'triangulation'. Labour law and collective bargaining were constructed on the basis of direct relationships between employers and employees. But who is responsible when a third party becomes an intermediary? Who is in control, the final employer or the intermediary? The blurring of boundaries of decision-making and responsibility adds to the precariousness. There is extensive case law to delight the minds of lawyers. But temporaries themselves know only that they report to two masters.

The situation is often murky. In Ontario, Canada, for instance, under a law governing temporary help agencies, when temps sign on they waive their rights to choose worksites and type of work, surrendering control over their 'labour power' and commodifying themselves, to the extent of paying the agency a fee for registering with it. This is a route to a second-class citizenship with truncated rights. A life in temping is a curtailment of control over time, as the temp must be on call; the time someone must put aside for labour exceeds the time in it.

So the trend towards temporary labour is strong. In some countries, notably the United Kingdom and the United States, very little employment is classified as temporary because short-term employees are not counted, even though they have no employment security and are temporary in all but name. Successive British governments extended the period during which employees have no security and reduced the employers' cost of ending contracts. It was casualisation by stealth. Elsewhere, in efforts to defend the 'standard employment relationship', unions, governments and employer bodies permitted temporaries alongside regular employees, creating dualistic labour forces.

The temporary share shows no sign of declining. On the contrary, the financial shock of 2008 and the recession that followed gave firms an excuse to rid themselves of 'permanent' employees and to welcome more temps. By 2010, temps in Japan accounted for over a third of the labour force and over a quarter of prime-age workers. In January 2009, 500 recently dismissed homeless workers set up a tent village in the centre of Tokyo. When politicians and TV crews congregated there, the city government reacted by finding them accommodation in unused public buildings. Although the gesture only lasted a week,

it raised awareness of the precariat, underscoring the widespread lack of social protection. The image still held that families and companies looked after people, meaning the state did not need to do so. The stigma had persisted, so that an unemployed person could not easily ask for support. The incident heralded a societal shift of perceptions. The precariat was suddenly real.

In the United States, following the shock, firms resorted to a tactic that had figured after the 1991 collapse of the Soviet system, putting regular employees on 'contract status' to avoid fixed costs. In the Soviet case, millions of workers were put on 'unpaid leave', while firms retained their work history books. This gave the impression that employment was holding up, but it impoverished the workers, many of whom died. In the United States, the transfer of employees onto temporary contracts made them ineligible for health insurance, paid vacations and so on. It would be an exaggeration to say the United States was going down the Soviet route, but the tactics pushed workers into the precariat, resulting in much personal suffering.

Europe is also fostering temporary employment. In Germany, millions of workers have been added to the temporary category (*Zeiterbeit*). In the United Kingdom, the Labour government opposed and then delayed implementation of the EU Directive giving workers, hired through temporary agencies, rights equal to those of permanent staff, with the same pay, vacations and basic conditions. It wanted to keep the United Kingdom an attractive site for foreign investment. However, it confirmed the precarious status of all those with temporary contracts.

Spain meanwhile has become the epitome of a multi-tier labour market, with half of its workforce on temporary contracts. In 2010, the OECD estimated that 85 per cent of the jobs lost in Spain following the financial crash were temporary. It claimed permanent employees were being kept in jobs because it was costly to dismiss them. But the high costs of salaried staff had already induced the shift to temporaries as well as to outsourcing and employment of migrants. Government and trades unions had reacted to the earlier pressure for flexibility by preserving securities for regular workers and creating a buffer of temporaries. This not only led to a multi-tier labour force but resentment by the precariat towards the unions that had looked after their own members at its expense.

Another facet of numerical flexibility is the growth of part-time jobs. Reasons include the changing position of women and the shift to services. It is also partly involuntary. In the United States, the Bureau of Labour Statistics estimated in mid-2009 that over 30 million people were in part-time jobs 'of necessity', more than twice as many as the number counted as unemployed, which made for an adjusted unemployment rate of 18.7 per cent. A vast proportion of those jobs will remain part-time and low paid even if the economy picks up.

The term part-time can be misleading, since much of what is counted as part-time is anything but. As we shall discuss in Chapter 5, there are many ways by which firms pay people as part-timers but expect them to work more hours than are remunerated. As one woman told the *Wall Street Journal* (Maher, 2008), 'I have part-time status with full-time hours'. Many have to take two part-time jobs just to pay the bills or as insurance against loss of one of them.

Numerical flexibility has also been associated with outsourcing and offshoring. The financial shock accelerated the global drift

to contract out labour, even as production and employment were shrinking. Managements became desperate to find ways of reducing costs. One way was to switch less urgent deliveries to shipping, which permitted more offshoring, previously limited by a need for expensive air transport. Companies also did more 'near-sourcing' and 'near-shoring'. Employment security in all of this is a mirage.

Finally, there are wheezes such as 'zero-hour contracts', whereby somebody is given a contract but left unsure how many hours, if any, they will be required to work or how much if anything they will be paid. Another wheeze is 'unpaid furloughs', a euphemism for lay-offs, sometimes for months at a time, sometimes as a regular weekly day off, unpaid. It is a lever of flexibility. Another wheeze is the use of interns. The number in this novel status has expanded since the shock. Governments have given subsidies and encouragement. Like furloughs, they do good things for the employment and unemployment counts; most of the costs are borne by interns and their families.

When all the intricacies of numerical flexibility are considered, the outcome is insecure working lives for a growing number near the precariat. Every year, about a third of employees in OECD countries leave their employer for one reason or another. In the United States, about 45 per cent leave their jobs each year. The image of long-term employment is misleading, even though a minority still have it. A third of the job turnover is accounted for by the creation and ending of firms.

In the 1960s, a typical worker entering the labour market of an industrialised country could have anticipated having four employers by the time he retired. In those circumstances, it made sense to identify with the firm in which he was employed. Today a worker would be foolish to do so. Now, a typical worker – more likely to be a woman – can anticipate having nine employers before reaching the age of 30. That is the extent of the change represented by numerical flexibility.

Functional flexibility and job insecurity

The essence of functional flexibility is to make it possible for firms to change the division of labour quickly without cost and to shift workers between tasks, positions and workplaces. With global competition, and an ongoing technological revolution, it is understandable why companies want this and why governments want to help. However, it has brought painful changes that have expanded the precariat. Whereas numerical flexibility generates employment insecurity, functional flexibility intensifies job insecurity.

A facilitating change came with the strengthening of managerial prerogative over work arrangements, the subject of struggle in the 1970s and 1980s, when employers wrested control from unions and professional bodies. In subjecting employees to more subordination, it marked an advance of 'proletarianisation' (Standing, 2009), but paradoxically it was necessary for 'precariatisation'. Establishing administrative control over the division of labour allowed managements to create flexible arrangements that included weaker lines of occupational progression.

As more enterprises became multinational, managements could switch jobs and functions between plants within their network and their supply chains. New terms came into the lexicon of management and labour analysis. Outsourcing became a catch-all for overlapping

processes. Having control of the division of labour made it easier to *offshore* (shift employees or tasks to a plant in another country) and *inshore* (shift between plants within a country), and to switch between outsourcing and insourcing whenever advantageous.

A profit-maximising manager or an engineer might see this switchability as desirable. But consider the implications for the workers subject to it. Most never had control over building a career, so there should be no romanticising some golden age (Sennett, 1998; Uchitelle, 2006). But now, many more have no control at all. The strengthening of management prerogative means job insecurity is the new norm. How can people construct a career and build an occupational profile when they can be moved at short notice or when the next rungs on an occupational ladder are suddenly outsourced?

A related trend is the spread of individual contracts, as part of the 'contractualisation' of life. In industrial society, the norm was a collective contract, set by collective bargaining, perhaps extended to other firms in a sector. But as unions and collective bargaining have shrunk, individualised contracts have grown. For a brief time, fewer workers were covered by any contracts, but the trend to individual contracts is strengthening. They allow firms to provide different treatments, degrees of security and status, so as to channel some workers into the salariat, some into stable jobs, some into a precariat status, increasing divisions and hierarchies. Individualised contracts allow employers to tighten conditions to minimise the firm's uncertainty, enforced through the threat of penalties for breaking a contract.

Individual contracts have become more of a global trend since China enacted its Labour Law of 1994 and its Labour Contract Law of 2008, which entrenched fixed-term and open-term contracts. These will boost outsourcing and triangulation as firms learn to minimise the costs that come with contracts. As China is the world's most dynamic and largest labour market, these developments mark a move to a multi-layered global labour force in which privileged salariats will work alongside a growing precariat.

Individual contracts, casualisation and other forms of external flexibility come together in another clumsy term, 'tertiarisation'. This is more than is conveyed by 'the tertiary sector', which implies a shift to services. For decades the world's production and employment have been shifting to services. The popular term 'de-industrialisation' is misleading, since it implies an erosion and loss of capacity, whereas much of the change has been consistent with technological advances and the changing nature of production. Even in Germany, an export powerhouse, the share of manufacturing in output and employment has shrunk to under 20 per cent. In France, the United Kingdom and the United States, it is much lower.

Tertiarisation summarises a combination of forms of flexibility, in which divisions of labour are fluid, workplaces blend into home and public places, hours of labour fluctuate and people can combine several work statuses and have several contracts concurrently. It is ushering in a new system of control, focusing on people's use of time. One influential way of looking at it has been the Italian school, drawing on Marxism and Foucault (1977), which depicts the process as creating a 'social factory', with society an extension of the workplace (Hardt and Negri, 2000).

That image is not quite right. The factory is the symbol of industrial society, in which labour was defined in blocks of time, with mass

production and mechanisms of direct control in fixed workplaces. This is unlike today's tertiary system. The flexibility involves more work-for-labour; a blurring of workplaces, home places and public places; and a shift from direct control to diverse forms of indirect control, in which increasingly sophisticated technological mechanisms are deployed.

Part of the functional flexibility and tertiarisation has been a growth of distance working, which breaks up groups of employees and tends to isolate them. Of course, many workers welcome the chance to work from home. At IBM, a pioneer in distance working, 45 per cent of employees do not come into the office regularly, saving the company US$100 billion annually (Nairn, 2009). Employees increasingly have 'roaming profiles', allowing them to transfer settings and files to whichever computer workstation they are using, including portable laptops. Virtual workplaces have proliferated, with employees working 'at home' or wherever they want. Such arrangements save money on offices, give a company access to a broader pool of talent (and retain women after childbearing), allow it to operate extended days, reduce office politics and colleague interruptions, and are more environmentally friendly. Drawbacks include lack of informal information sharing and less *esprit de corps*.

Teleworkers are also vulnerable to being pushed off the employee payroll, for tax and social contribution purposes. Or part of their labour may not show up in the records, perhaps to disguise the extent of work or the income, or to increase the exploitation of the person supplying the service. This shadow labour is inevitable in a tertiary market economy.

Occupational dismantling

In addition to functional flexibility and distance work, changes in occupational structures have disrupted the capacity of people to control and develop their occupational potential. In the globalisation era, governments quietly dismantled the institutions of 'self-regulation' of professions and crafts, and in their place erected elaborate systems of state regulation. These removed the capacity of occupational bodies to set their own standards, to control entry to their occupation, to establish and reproduce their ethics and ways of doing things, to set rates of pay and entitlements, to establish ways of disciplining and sanctioning members, to set procedures for promotion and for other forms of career advancement, and much else.

The onslaught on occupational self-regulation was part of the neo-liberal agenda. Milton Friedman – architect of monetarism and, after Friedrich Hayek, the most influential economist guiding Thatcher, Reagan and Chile's Pinochet – cut his intellectual teeth in 1945 with a book attacking the medical profession (Friedman and Kuznets, 1945). The neo-liberals wanted regulations to block any collective voice. Occupational bodies were high on the hit list.

State regulation has intensified via occupational licensing and a shift in licensing to state entities insisting on adherence to competition and market-based practices. Occupational bodies became subject to antitrust rules. Occupations that set their own rules were seen as market distorting, by acting monopolistically. So more people were subjected to occupational licensing and obliged to conform to market practices.

The changes have been dramatic. In the United States today, over 1,000 occupations are subject to licensing, covering more than

20 per cent of the labour force. The spread of licensing elsewhere has been as extensive. And whereas one might presume that ministries of labour or their equivalents would be responsible for regulation of occupational practices, the trend has been to transfer responsibility to finance ministries. The US Supreme Court and the Federal Trade Commission set the trend in the 1970s, removing the exemption of professions from antitrust rules. Gradually, competition and financial institutions have come to rule what occupations can and cannot do. In Australia, all occupations come under the Competition and Consumer Commission; in Belgium and the Netherlands, professions are subject to regulation by their competition authorities. In the United Kingdom, government-dominated boards have made competition and consumer interests the ruling principles.

Market regulation has accompanied liberalisation of occupations, orchestrated to some extent by international regulatory devices such as the General Agreement on Trade in Services of the World Trade Organisation and the European Union's Services Directive. National markets are being opened to foreign competition in occupational 'services' in countries that previously had national jurisdictions over who could practise being a lawyer, accountant, architect, plumber or whatever.

Even occupations that were bastions of the salariat and profician classes conceal precariat tendencies, through truncated 'careers'. In the financial sector, most people are in short-term jobs. A trading room of 1,000 people may contain fifty over the age of 40 and just ten aged over 50. A career might peak after just five years. A few become winners, wallowing in money. Some go into the salariat in administrative jobs. Some fizzle out, drifting into the precariat. It is no surprise that the post-2008 scene in the United States produced part-time mini-financiers doing deals from their bedrooms or kitchens for a few clients, imagined as well as real. Stratification is going deep into all sorts of occupations.

With job insecurity the flip side of functional flexibility and linked to re-regulation of occupations, enterprises can stratify workers almost along class lines, shunting less effective performers into dead-end or deskilling jobs while reserving salaried posts that preserve occupational credentials for favourites. Although stratifying decisions may be grounded in assessments of capacities, control of occupational structures by managers and administrative rules increases the scope for diverting people from a professional niche into a precariat channel. This may feed back into learning decisions. Why invest in an occupational skill if I have no control over how I can use and develop it?

The regulations are splintering occupations, breeding para-professions bound for the precariat. According to the first National Strategic Skills Audit issued in 2010, England's fastest-growing jobs over the past decade included a few modern professions and crafts – conservation officers, town planners, psychologists and hairdressers – but mainly consisted of semi-professional jobs, such as paramedics, legal associates and teachers' assistants. This reflects the weakening of occupational communities and their division into elites and precariats, the latter unable to climb to higher ranks. The process was encapsulated by the United Kingdom's Legal Services Act of 2007, dubbed the 'Tesco law', which permits standardised legal services to be offered, including through supermarkets, by legal assistants with minimal training and no chance of becoming real lawyers.

Finally, there is an emerging sphere of occupational restructuring that reflects the commodification of firms, which will accelerate precariat tendencies. This is the commodification of management, epitomised by the growth of interim managers hired out through agencies or by themselves for short-term assignments. If management school directors persist in thinking that management should not be a profession, they should not be surprised if many interim managers drift from being high-status proficians to disposable members of the precariat.

Wage system flexibility: Restructuring social income

One imperative of globalisation is wage flexibility. The term conceals a raft of changes that have propelled the growth of the precariat. In essence, not only has the level of income received by most workers gone down but their income insecurity has gone up. This can be seen through the prism of social income, as presented in Chapter 1.

Social income is being restructured. First, wages in industrialised countries have stagnated, in many countries for several decades. Wage differentials have widened enormously, including differentials between regular employees and those near the precariat. For instance, in German manufacturing, wages of permanent workers have risen, while wages of those with 'atypical' contracts have fallen. In Japan, temporary employees receive wages that are 40 per cent of those paid to salarymen doing similar jobs, and they are denied the biannual bonuses worth about 20 per cent of total pay. Temporaries even have to pay more for company canteen meals. When wages revived after the recession of 2008–10, wages of the shrinking salariat rose while those of temps fell even further.

Unlike others, the precariat relies largely on money wages. In the twentieth century, the salariat and the proletariat came to rely largely on other forms of remuneration. There was a shift from wages to enterprise and state benefits, mainly for full-time employees. The shift was greatest in the Soviet Union and in China, where the *danwei* ('iron ricebowl') system gave employees of state enterprises 'cradle-to-grave' benefits and services, provided they stayed compliant. The shift from money wages also occurred in welfare states, with more state benefits in Western Europe and more enterprise benefits in the United States and Japan. It also occurred in developing countries where the 'modern sector' copied what was happening elsewhere.

Some, such as Esping-Andersen (1990), have called the shift from wages 'labour decommodification', implying that workers were less reliant on the market for income. This is misleading in that entitlement to most benefits was dependent on regular participation in the labour market or on having a 'breadwinner' in a stable job. A more accurate description is 'fictitious decommodification'. Workers had to comply with market dictates to obtain those forms of social income, which is not the same as saying income was freed from the market.

In any event, globalisation has reversed the trend from wages to benefits. While the salariat retained, and continued to gain, an array of enterprise benefits and privileges, with bonuses, paid medical leave, medical insurance, paid holidays, crèches, subsidised transport, subsidised housing and much else, the shrinking 'core' has been losing them bit by bit. The precariat was deprived of them altogether.

This is how wage flexibility has shaped the precariat. Employer contributions and provision of benefits and services had come to comprise a large part of labour costs, particularly in industrialised countries. Faced by competition from Chindia, firms have been offloading those costs, by outsourcing and offshoring and by converting more of the workforce into the precariat, notably by using temporaries denied entitlement to benefits.

This is labour *re-commodification*, since remuneration is concentrated on money wages. It goes with the more contingent nature of employment and the pursuit of competitiveness. While one could give numerous examples, what has been happening in the United States captures the story. While the salariat have retained enterprise benefits, core workers have been tipped towards the precariat. The share of US-based firms offering health care benefits fell from 69 per cent in 2000 to 60 per cent in 2009. In 2001, employers paid 74 per cent of their employees' health costs; by 2010, they were paying 64 per cent. In 1980, US employers paid 89 per cent of contributions towards retirement benefits; by 2006, that had fallen to 52 per cent (Dvorak and Thurm, 2009). By 2009, only a fifth of US employees had company-based pensions.

The main reason was that American firms were trying to cut costs to adjust to the globalisation crisis. In 2009, US employers still offering health insurance were paying on average US$6,700 per employee a year, twice as much as in 2001. One response has been to offer core employees 'high-deductible health care plans', where they must pay the first tranche of medical costs up to a specified amount. Ford dropped its 'no deductible' plan in 2008, requiring employees and family members to pay the first US$400 before insurance compensation started and to pay 20 per cent of most medical bills. This was dismantling part of their income.

Meanwhile, the promise of a company pension is being taken away from those being pushed into the precariat. Corporations are rushing to cut pension obligations and other 'legacy costs', financial commitments to former employees living out their retirement years. The widely used 401(k) retirement plans have usually allowed employers to make variable contributions. In 2009, over a third of US firms cut back or eliminated matching payments to those plans. Even the American Association of Retired Persons (AARP), the non-profit advocacy group for people over 50, did that for its own employees. Some firms, such as the computer company Unisys, raised their contributions when closing or freezing old-style pension schemes so as to defuse resentment, only to suspend them later. Enterprise pensions are in free fall.

This has undermined mutual commitment by employer and employee. Ford, for generations the epitome of US capitalism, has frequently suspended contributions; between 2001 and 2009 it contributed for only two-and-a-half years. Salaried employees hired after 2003 have no company pensions at all. Ford claimed it switched to self-managed retirement accounts to give workers portability, claiming that younger workers 'don't think of a career with one company any more'. In reality, the firm was cutting labour costs and transferring the risks and costs to workers. Their lives were being made more precarious.

In the great car-producing areas of Michigan, abandonment of enterprise benefits was slowed by government subsidies and by labour

intensification, the heart of lean production. But as benefits have been chipped away, the ranks of the precariat have been swelled by what would once have been considered the most unlikely of sources. As employment in car firms slumped, falling by three-quarters between 2000 and 2009, a group emerged called 'GM gypsies', car workers who moved around the country as one plant after another closed.

If company pensions, on which the social compact of twentieth-century capitalism was constructed, are being whittled away, so are state pensions, led by the United Kingdom. The UK state pension today is worth 15 per cent of average earnings and declining, and the age of entitlement is to rise to 68 from 65. One predicts the age of entitlement will recede to 70 or more. The Turner report of the Pensions Commission, accepted by the Labour and Conservative parties, proposed a three-part deal – stay in employment for longer, save more and then have a very modest state pension to help out. This was intended to halt the rise in means testing. But unless the basic pension rises, and means testing is reduced, the incentive to save will be enfeebled. There is no incentive for low-income earners to save, since if they do they will lose their pension entitlement.

Another aspect of social income restructuring is the shift from fixed to flexible pay. Here again, flexibility means an advantage for employers and increased risk and insecurity for wage earners. One demand of twentieth-century labour movements was for a stable predictable wage. But global capitalism wants to adjust wages quickly. If it cannot do so, it will go to where it thinks it can. In 2009, US firms on average were setting aside almost double the share of their payroll for variable pay, such as performance awards, as they did in 1994 (Dvorak and Thurm, 2009).

In the recession of the early 1980s, concession bargains proliferated as unions and employees gave up entitlement to benefits in return for wage rises. Now, concession bargains are more one sided. Benefits are taken away from the lower ranks of workers so that wages rise as a share of income, but wages stagnate. In 2009, Ford's workers gave up cost-of-living allowances and lost holiday pay and college scholarships for their children as well as tuition assistance. The same wage sustained a much more precarious existence. And there has been a further push to increase all forms of flexibility, including occupational dismantling. Thus, Ford reached a collective agreement with the United Auto Workers that froze entry-level wages, had a no-strike clause and paid current workers a bonus for agreeing to the concessions. This followed similar deals in GM and Chrysler, which also reduced the number of job classifications, in GM's case to just three skilled trade classifications.

Such developments are part of a process of adjustment around the world. The circle is closing. As workers in China agitated for higher wages and better conditions, multinationals grandly conceded large money wage increases but took enterprise benefits away. Foxconn's penned workers in Shenzhen had received subsidised food, clothing and dormitory accommodation. In June 2010, on the day he announced a second big rise in wages, the head of Foxconn said, 'today we are going to return these social functions to the government'. The company was shifting to money wages, giving the impression that workers were gaining a lot (a 96 per cent wage increase), but changing the form of remuneration and character of the labour relationship. The global model was coming to China.

The precariat experiences the full force of wage flexibility. Its wages are lower, more variable and more unpredictable. The variability is unlikely to correlate positively with personal needs. When those in the precariat

have above-normal financial needs, as when they have an illness or family setback, they are also likely to be receiving a below-average income. And their economic uncertainty is intensified by the way credit markets work. Not only is the cost of obtaining loans higher, reflecting lack of creditworthiness, but also the need for them is higher, inducing many in desperation to take money from loan sharks at unsustainably high rates of interest and with unrealistic repayment schedules.

There are many studies, and quite a few novels, that show how in poor communities one form of income insecurity accentuates others. Those on precarious incomes, particularly if moving in and out of short-term low-paid jobs and dealing with the unfriendly complexities of the welfare system, easily drift into chronic debt.

For years, the impact of social income restructuring and wage stagnation was cushioned by state subsidies. We consider those later. But the stagnant earnings and economic insecurity of those being tilted towards the precariat were also concealed by cheap credit, subsidised by governments in most OECD countries. Middle-class families were enabled to consume more than they earned, disguising the fact that earned incomes were declining. They had a false private benefit income. The crash shattered the illusion that all were gaining from the second Gilded Age of rampant growth. Suddenly, millions of Americans and Europeans felt closer to the precariat.

In short, social income under global capitalism is increasingly insecure. While companies are 'travelling light', this translates into multi-layered income insecurity for the precariat. And the restructuring of income means that *costs* of living are rising for those in economic insecurity. A market society characterised by uncertainty and volatility makes it advisable to take out insurance, rewards those who do so and penalises those who cannot. Those with temporary contracts not only have a higher probability of financial need but also find it harder and more costly to take out insurance.

A final aspect of the post-globalisation restructuring of social income is that, whereas before the welfare state, individuals and families relied heavily on informal mechanisms of community help, these are no longer there. They were weakened by the growth of state and enterprise benefits. For several generations, people came to think there was no need for them, so they faded. But as firms offloaded enterprise benefits and as the state went for means-tested benefits, there was no community support to fall back on. 'When you need them, they don't help you', one 59-year-old unemployed Spaniard unable to obtain help from relatives told the *Financial Times* (Mallet, 2009). The family reciprocity system had broken down.

In sum, the precariat is faced by a unique combination of circumstances. Unlike the old proletariat and the salariat, it has no enterprise benefits to give income security and no contributions-based social protection. And while it must rely on money wages, these are lower and more variable and unpredictable than those of other groups. Income and benefit inequalities are mounting, with the precariat left further behind and dependent on an enfeebled community system of social support.

Precarious unemployment

Unemployment is part of life in the precariat. But there has been a revision of attitudes that has made it harder to handle. In the pre-globalisation era, unemployment was seen as due to economic and structural factors. The unemployed were unfortunate, in the wrong place at the wrong time. Unemployment benefit systems were built on the principle of social insurance; everybody contributed, so that those with a low probability of becoming unemployed subsidised those with a higher probability.

That model has collapsed, even if the fiction continues in some countries. Fewer workers are in a position to make contributions or have them made on their behalf, and fewer qualify under contribution rules. But in any case official attitudes to unemployment have radically changed. In the neo-liberal framework, unemployment became a matter of individual responsibility, making it almost 'voluntary'. People came to be regarded as more or less 'employable' and the answer was to make them more employable, upgrading their 'skills' or reforming their 'habits' and 'attitudes'. This made it easy to go to the next stage of blaming and demonising the unemployed as lazy and scroungers. We will consider where that has led in Chapter 6. Here we just want to capture how unemployment has affected the precariat.

The first recession of the globalisation era in the early 1980s led to a change in official attitudes towards the lower reaches of the labour market where the precariat was emerging and a change in attitude among those losing jobs. In the United Kingdom, flexible wages and precarious jobs combined with high unemployment led working-class youths, in particular, to embrace 'the dole' as authenticating their disdain of the lousy jobs on offer, a rejection caught by pop bands such as UB40, whose name (unemployment benefit form 40) and band members were drawn from the dole queues. This may have affected only a minority of youths growing up in declining working-class areas, but it helped change official attitudes, providing an excuse to resurrect an image of the idle irresponsible poor.

The real problem was the flexible labour market. If wages are driven down and more jobs become precarious, unemployment benefits become relatively more attractive. In recognition, governments in industrialised countries lowered benefits, made them harder to obtain and harder to retain. That did away with the insurance character and the avowed purpose of providing an adequate income to compensate for temporary 'interruption of earning power', as William Beveridge (1942: 7) had put it. But 'unemployment traps' became more widespread, since the loss of benefits entailed in taking a low-paying job pushed the effective 'tax' rate to near or even above 100 per cent.

A vicious circle led governments in ugly directions. As wages fell, and as low-paid temporary jobs became the norm for the lower end of labour markets, the income replacement rate of benefits rose. Middle-class commentators lamented the 'excessive generosity' of benefits and claimed that, as 'work did not pay', benefits should be cut. To help make work 'pay', governments introduced in-work benefits and earned-income tax credits, a recipe for distortions and inefficiencies. But the unemployment trap remained, leading policy makers to take steps towards coercing the unemployed to take jobs, however unpleasant and poorly paid.

Global reform of unemployment benefits has acted as a breeding ground for the precariat. While not identical in all countries, the trend has been similar. The biggest change has been in the image of unemployment. Now it is depicted as reflecting a lack of employability, personal failings and excessive wage or job expectations. The benefits regime is based on ascertaining whether a person deserves to receive anything, and this has become an agenda for requiring a person to behave in certain ways in order to deserve assistance.

While unemployment insurance still holds sway in a few countries, entitlement conditions have been tightened everywhere; periods for entitlement have been shortened and benefits have been cut. In most countries, only a minority of the unemployed receive benefits and the minority is shrinking. And means-tested benefits have expanded, with all sorts of behavioural conditions attached to them.

In the United States, to be entitled to unemployment benefits, usually someone must have been employed full-time for at least a year in his or her last job. More than half the unemployed (57 per cent in 2010) do not qualify. The situation is worse, since many who do not qualify drop out of the labour force altogether. Two-thirds of recipients say they fear their benefit will expire before they can obtain a job. By 2010, poverty among the unemployed and underemployed was worse than at any time since the 1930s, with one in nine Americans living on food stamps. There were six registered seekers for every job vacancy, up from 1.7 before the crisis, and long-term unemployment accounted for 40 per cent of the total, much more than in previous recessions. It was the only recession since the Great Depression of the 1930s to have wiped out all the job growth from the previous cyclical upturn.

The rich world's job-generating machine is running down. This pre-dates the shock of 2008. In the United States, GDP growth slowed between the 1940s and 2000s but employment growth slowed much more. In the 1940s, non-agricultural employment rose by nearly 40 per cent; the increase was less in the 1950s, accelerated slightly in the 1960s, fell to 28 per cent in the 1970s and 20 per cent in the 1980s and 1990s. But in the 2000s, employment actually fell by 0.8 per cent. Work was not 'disappearing' but the global market was leaving American workers behind.

In the globalising labour market, recessions accelerate the growth of the precariat. Now that there are more temps and other unprotected workers, there is more scope for rapid labour shedding in the first phase of a recession. The days are gone when large numbers of workers were laid off, retaining their jobs until demand picked up. Those on the margins lose their jobs first. However, they may not have appeared in the employment statistics before the recession or in the unemployment statistics subsequently. This helps explain why some European countries with high clandestine and migrant employment experienced only small rises in recorded unemployment and modest declines in employment after 2008.

Firms have used the recession to transfer more labour into the zone of the precariat and to restructure in other ways, including greater resort to offshoring and outsourcing. Successive recessions in the United States have been followed by more anaemic labour market recovery, alongside a huge rise in long-term unemployment. When economic growth revived after the recessions of the 1970s and early 1980s, employment expanded immediately and was substantial. When it restarted after the recession of 2008–9, there was no job expansion at all for over a year. Indeed, the 'sunbelt' states went on shedding jobs, arousing fears of a 'job-loss recovery'.

In Germany, some of the unemployed simply disappeared from the country; many East Europeans left because they could obtain community support in their home countries and because, coming from EU member countries, they could return when jobs picked up. By contrast, migrants losing precarious jobs in the United States dared not go home, for fear of being blocked from returning. Perversely, it might help the US unemployment rate if it was easier for migrants to leave and to return.

In general, recessions tip more people into the precariat, partly because those who lose jobs slip into a lower income-earning stream on re-employment. US studies (such as Autor and Houseman, 2010) have found that taking up temporary jobs after unemployment tends to lower annual incomes and long-term earnings. This is a reason for the unemployed to resist pressure to take the first job offered to them. It is not laziness or scrounging but merely common sense.

Meanwhile, the unemployed have been turned into a treatment category. The trend to making everything subject to contract has been extended to them. In some countries, the unemployed are renamed 'clients' and have to sign contracts, accepting certain obligations and penalties for failure to comply. Almost by definition, they are under duress when they sign. Contracts signed in such circumstances would normally be moot in common law. But we will consider where that has led later.

The unemployed also experience a form of tertiarisation. They have multiple 'workplaces' – employment exchanges, benefit offices, job-search training offices – and have to indulge in a lot of work-for-labour – filling in forms, queuing, commuting to employment exchanges, commuting in search of jobs, commuting to job training and so on. It can be a full-time job being unemployed, and it involves flexibility, since people must be on call almost all the time. What politicians call idleness may be no more than being on the end of the phone, chewing nails nervously hoping for a call.

The precarity trap

A labour market based on precarious labour produces high transaction costs for those on the margins. These costs include the time it takes to apply for benefits if they become unemployed, the lack of income in that period, the time and costs associated with searching for jobs, the time and cost in learning new labour routines, and the time and cost involved in adjusting activities outside jobs to accommodate the demands of new temporary jobs. The total may be substantial by comparison with expected earnings. This creates what could be called a 'precarity trap'.

A UK study in 2010 by Reed in Partnership, a firm helping unemployed find jobs, found that the average cost of obtaining a job, with clothes, travel, child care, training and so on, came to £146, a considerable amount for people who may have been unemployed for a long time or been through a series of temporary low-paid jobs. In the first month of a job the cost was a further £128. If there is the prospect of just a temporary low-paid job, the disincentive implied by the precarity trap is much greater than the conventional poverty trap to which so much attention has been paid. Reed in Partnership's chief executive commented, 'A large proportion of the people we work with cannot afford the cost of even paying travel costs to get to an interview'.

A person living on a stream of temporary jobs has a risk-strewn existence. Consider a woman who has a temporary job and adjusts her living expenses to equal the wage she earns. Then the job ends. She has minimal savings. She has to wait for several weeks – it may be much more – before she can obtain any state benefits. In that time, she adjusts her living standards downwards, but she may have to borrow or go into debt by delaying payment for rent and so on. There may be an additional factor. People doing temporary jobs typically do not rush to apply for benefits. It is often done reluctantly, after hardships have set in. So, debts and obligations to relatives, friends

and neighbours mount, and the loan sharks lurk. The precariat trap becomes more formidable.

If our woman is fortunate, she may obtain state benefits with which to pay off some of the debts and gain some financial relief. But then suppose she is offered another temporary low-paying job. She hesitates. Some benefits might continue for a while, under rules to help 'make work pay' and reduce the standard 'poverty trap'. But she knows that when the job ends she will once again face daunting transaction costs. The reality is that she cannot afford to take the job because, in addition to the cost in lost benefits while the job lasts, there is the cost of getting back on benefits. That is the precarity trap.

The precarity trap is intensified by the erosion of community support. While being in and out of temporary low-wage jobs does not build up entitlement to state or enterprise benefits, the person exhausts the ability to call on benefits provided by family and friends in times of need. This is compounded by debt and interludes of social illness that may include drug taking and petty crime, such as shoplifting. It is made worse by the stress of insecurity and the indignity of constantly having to try to sell oneself to agencies and potential employers. Without an underpinning of economic security, the flexible labour market is bound to create those outcomes.

The financial shock

On top of the longer term changes towards the unemployed, the financial meltdown of 2008–9 accelerated the growth of the global precariat by putting more pressure on firms to cut labour costs through flexibility measures and prompting government policies that encouraged them.

Predictably, the precariat initially bore the brunt of the shock. Temporary employees were the easiest to make redundant, simply by not renewing contracts. Randstad, the world's second largest staffing company, reported sharp declines across Europe in 2008, observing that firms were more inclined to cut jobs than in previous recessions. But as the recession proceeded, it became clear it was a lever for expanding the precariat. Adecco, the world's biggest temporary employment agency, reported that the regrowth of employment was concentrated on temporary labour (Simonian, 2010).

In the United Kingdom, the impact of the crisis was notable for the drop in the number of employees, whereas the number of self-employed hardly fell. In the first year of the recession, full-time jobs plummeted by over 650,000 while part-time jobs rose by 80,000, with 280,000 part-timers saying they could not obtain a full-time job. Unemployment rose by more than employment fell, mainly due to the inflow of young labour force entrants and a rise in the labour force participation rate of elderly workers facing reduced pensions and savings.

In the United States, firms responded to the crisis by cutting long-term employees and replacing others by technological changes or by outsourcing, partly to avoid a repeat of the costs of making people redundant. A survey in 2010 concluded that at least a quarter of the 8.4 million jobs eliminated in the United States since the recession began would not return (Izzo, 2010).

After the job cuts, measured labour productivity soared, which was interpreted as a reflection of employers pressurising employees to labour more, curbing job creation. This may be only part of the story, since the

shock may have accelerated outsourcing and resort to more shadow labour. For instance, there has been a boom in outsourcing of legal processing. Pangea3, an India-based leader in this emerging market, doubled its revenue in a year. While UK and US law firms were struggling, cutting recruitment and making lawyers redundant or putting them on furloughs, the recession was a boon for lawyers in India.

Traditionally, major recessions lead to reductions in inequality, but this time income differentials went on widening, in general and within particular sectors. Thus, the crisis led to growing inequality between the fortunes of top law firms and those of others. The elite guarded incomes and status by laying off some of the salariat and limiting career opportunities of others, while enlarging the number of legal auxiliaries with all the insecurities of the precariat. Leading financial and economic service companies also benefited from class differentiation, since opting for reputation and bigness is the risk-averse strategy at a time of insecurity. While the legal profession is undergoing the most profound restructuring, all professions are being pushed in the same direction, of having fewer protected insiders alongside a growing number in insecure career-less positions.

Putting employees on unpaid leave, or furloughs, has grown in the United States at the same time as unpaid overtime. In 2010, twenty US states required employees to take unpaid time off and over 200,000 public sector workers were 'furloughed' every week, typically told to take Friday off, without pay. For many it was liberating, despite the income loss, enabling them to spend more time with their family; 'Furlough Friday' became a staple part of life around the country. But it was a step in pushing employees out of the comfort zone of the salariat.

Furloughs have spread in Europe too. One major British firm asked employees to take two weeks unpaid leave and had a 95 per cent take-up. Others offered two months off at 50 per cent of salary. British Airways gave all staff the opportunity to work part-time; many said they wished to do so and work for charity in the time made available. It was also a bonanza for the new occupation of 'life coach', eager to counsel people on how to reorganise their lives.

In 2009, a Spanish bank, BBVA, offered to let staff take as much as five years off at 30 per cent of salary. This gave the average employee at least £12,000, with health care added. The bank was doing that rather than pay six weeks of severance pay for every year worked. It acknowledged that many employees might have difficulty readjusting when they returned, but that problem seemed far away.

Another bank in another country highlighted the dualistic treatment of the salariat and precariat post-2008. In response to the banking crisis, which left it heavily subsidised by the UK government, Lloyds Banking Group cut over 20,000 jobs. In October 2010, it announced that it had 'mitigated the impact on permanent staff with a significant release of temporary and contract staff'. Next time around, no doubt, the bank will have more temps and others who can be easily let go.

Dismantling the public sector

The final frontier for the precariat is the public sector, long the trailblazer for labour standards and stable employment. It provided a high social income, with benefits accounting for a large share of compensation, coupled with bureaucratic rules and an ethic of service.

For generations, the civil service deal was that, while earnings never reached the giddy heights of the private commercial sectors, public employees had employment security if not job security, as well as standard-setting pensions, health care benefits and so on. But as civil servants carried out their political masters' instructions to flexibilise private labour markets, the gap between their privileged security and the remainder of society became glaring. It was only a matter of time before the public sector itself became a prime target for flexibilisation. That time came with the shock of 2008, even though erosions had started long before.

The attack began with moves to commercialise, privatise and contract out services. Temporary contracts and part-time employment with inferior wages and benefits crept in. Then governments moved against the sector as a whole. Public pensions were declared 'unaffordable' and 'unfair'; governments used comparisons with the private economy to justify cutting public wages. It did not help that fiscal stimulus packages, quantitative easing and subsidies created bulging public deficits. That was not the fault of the public sector, but it became an easy target for budget cuts. Insecure private sectors looked on without solidarity. Financial markets too insisted on public spending cuts as evidence that governments were on 'the right track'. This is driving the erosion of the public salariat.

Globally, the public sector is being turned into a zone of the precariat. Nowhere is this more so than in the United States, where neo-liberal economic zealotry has created a fiscal perfect storm. Cities have been pushed into chronic debt by a straitjacket of fiscal rules demanding a low-tax 'balanced budget' regime. For years, public employees defended their wages through their unions and collective agreements, while the private sector suffered declining wages and shrinking benefits. Their unions remained strong. In 2008, 37 per cent of government workers were unionised, nearly the same as in 1980, whereas private unionisation had fallen from 20 to 7 per cent. In 2009, for the first time, public sector workers made up more than half of all union members in the country. They had defended their members well, but the widening inequality between public and private sectors made for rising resentment.

The crisis was used to cut public sector job security, through intensifying functional flexibility. Administrators began insisting that public employees should perform tasks other than those they were employed to do. A city administrator in Arkansas said, with evident pride, 'I pay more money to less people and maximise their use with more tasks' (Bullock, 2009). The court clerk now did marketing and handled the website, firefighters doubled as ambulance drivers, and workers at the water treatment plant were paid extra to stand in for truck drivers. A survey of cities and counties found that many were planning to take advantage of the crisis to rearrange work in similar ways.

Everywhere, the political right used the recession to intensify a campaign to cut public sector wages, benefits and employment security. Characteristically, in commenting on the United States, *The Economist* (2009) claimed that 'public sector workers are spoiled rotten', on the grounds that on average they earned 21 per cent more than those in the private sector and were 24 per cent more likely to have access to health care. Some 84 per cent of state and local government workers still had a defined-benefit pension plan, guaranteeing retirement income based on years of 'service' and final salary, compared with only 21 per cent of private sector workers. The figures could have been

interpreted as showing how miserly private firms had become. Or the comparison could have been made with what the elite and private salariat were receiving.

Public employees now face an onslaught on their pensions, which will worsen the income prospects of their precariat offspring. Again the US situation is most alarming. The National Association of State Budget Officers warned that US states would face huge budget deficits due to pension liabilities. Anti-public sector critics were helped by media stories of a few former senior public employees living in opulence on their pensions.

The United States is only the harbinger. The attack on the public sector is part of the post-2008 adjustment across all industrialised countries. In Greece, under a centre-right government, 75,000 civil servants were added to the already huge public sector between 2004 and 2009. Once the crunch came in 2010, the public salariat was slashed, feeding the Greek precariat. The government also announced it would remove barriers to entry to some professions, lowering their wages to reduce public spending. In Italy, pressure on the civil service was also growing. In October 2009, 40,000 police officers marched through Rome to demand better pay and new police cars. Because of a freeze on hiring, the average age of Italian policemen had risen to 45. They were not alone; millions of civil servants were losing employment security. In Portugal, 50,000 civil servants protested in February 2010 against a pay freeze, but the government went ahead with a rundown of public services. In Ireland, forced to accept a Eurozone bailout in late 2010, the hard-won gains of the public sector (and its sometimes anachronistic perks) were being stripped away in a matter of months.

In the United Kingdom, as in the United States, two-thirds of all new jobs in the decade before 2008 were in the public sector. Cutting it will enlarge the precariat simply by altering the public-private share of employment. But the intention is to turn more of the public sector into the zone of the precariat through privatisation, outsourcing and casualisation.

An aspect of the attack is the effort to turn over more services to civil society or non-governmental organisations (NGOs). In the United Kingdom, this is presented as a way to reduce the Big State and generate the Big Society. But it is a way to obtain services on the cheap, transferring activities done by professional employees to those on precarious contracts and 'volunteers'. Entities registered as charities have become major employers, with 464,000 full-time staff in 2009. More than half their income comes from government contracts to supply public services. But charity employees are not well paid and have precarious contracts. Subsidised by gifts from private donors, they make social services cheaper, undercutting public equivalents and legitimising poor contractual relations for 'volunteers'. This makes the sector particularly vulnerable in a recession. When donations dry up, these quasi-public employees can feel close to being in the precariat themselves. It was no surprise that as the recession deepened many of them left to work in supermarkets. In effect, contracting out services is expanding the precariat while undermining small charities.

Governments are also acting more like commercial firms in their treatment of civil servants, pursuing functional and employment flexibility. For example, they are saving on office space by decentralising and flexibilising the labour of their employees. In the United States,

a law passed in 2000 obliged federal government and its agencies to establish networking policies. By 2006, 140,000 federal employees, 19 per cent, were doing jobs from alternative worksites. This is precariatisation, isolating employees and limiting their space and opportunity for collective action.

In 2009, 24,000 Spanish civil servants – 10 per cent of the total – were labouring partly from home, on condition that they had to come to the office for 50 per cent of their labour time. Remote working has also been introduced in Italy, where the public sector is notorious for absenteeism. An innovator in the United Kingdom was Winchester City Council, which consolidated its four office locations into two and installed a web-based booking system to let employees reserve desk space or meeting rooms as they saw fit. This 'hot desking' is depersonalising the office, since it is no longer 'my office'. The psychological effect is of interest, since the increased instrumentality of the workplace will reduce a sense of attachment both to the firm or organisation and to the workforce as an entity to be defended.

In sum, the public sector, so long the bastion of the salariat and standard setter for decent labour, is fast being turned into a zone of flexibility in which the precariat can grow.

The subsidy state: Bane of the precariat

One scarcely noticed aspect of globalisation was the spread of subsidies. This may be one of the great 'con tricks' of economic history, since much has gone to capital and to high-income earners in the form of 'tax reliefs', 'tax holidays' and 'tax credits'. If a rich person in the United Kingdom, for instance, wishes to avoid tax on part of their income, they need to do no more than put it in a personal pension plan, deferring the income while saving 40 per cent of it. Someone in the precariat hardly has the same opportunity.

Consider what happened after the crash of 2008. Interventions to prop up banks globally in 2008–9 came to US$14,000 billion, according to the Bank of England. This is probably an understatement. Meanwhile, amid feverish lobbying by corporations, Western governments launched a vast range of subsidy schemes, in what should be called subsidy protectionism. Unbowed by its disastrous performance leading up to the crash, when it had indulged in financial speculation, US motor company GM said it would go 'subsidy shopping' and shift production and jobs to where governments offered the biggest subsidies.

Subsidies are integral to industrial policy, usually presented as backing 'winners'. In reality, such subsidies have been used to prop up big firms or sectors under pressure, preserving structures containing important political constituencies. But subsidies will not arrest the international re-division of labour as jobs are transferred from high-cost countries to low-cost high-productivity areas. While they may prolong some old-style employment, they do so at the cost of denying support to others. They rarely benefit the most insecure groups in society.

Subsidies introduced during the 2008–9 crisis to stimulate car sales benefited car buyers relative to others and car labourers relative to other workers. They were certainly not the poorest or most precarious. Ecologically, such subsidies favour resource use at the expense of resource conservation. Then there are subsidies for enterprise benefits; these lower the demand for workers doing low-productivity services. And, as will be shown, enterprise benefits are a burden on youth since old agers and migrants are more prepared to labour without them.

Labour subsidies, including earned-income tax credits and marginal employment subsidies, are also in reality subsidies to capital, enabling companies to gain more profits and pay lower wages. They have no economic or social equity justification. The rationale for the main labour subsidy, tax credits, is that as the poor and less educated in rich countries face the stiffest competition from low-cost labour in developing countries, governments need to subsidise low wages to provide adequate incomes. But while intended to offset wage inequality, these subsidies encourage the growth or maintenance of low-wage precariat jobs. By topping up wages to something like subsistence, tax credits take pressure off employers, giving them an incentive to continue to pay low wages. Cheap labour means firms are also under less pressure to be efficient. Tax credits and other labour subsidies are the twenty-first-century equivalent of the Speenhamland system, a landlord-inspired subsidy introduced in Berkshire in 1795 that became notorious for causing rural pauperisation across England.

The folly has yet to be realised. Governments going down the tax credit route will have to run faster merely to stand still, since downward pressure on wages is growing as other emerging markets join Chindia. As a *Financial Times* leader (2010a) opined, without drawing this logical conclusion,

> If Britain is to continue to offer a generous welfare net while wages at the bottom are stagnant, low-income workers may soon find that living on benefits is only slightly less profitable than working. To make sure that work still pays, the government will have to increase its subsidy on their wages via the tax credits system.

It added that, to limit rising costs, the government would have to tighten rules on who is 'deserving of support'. This it promptly did.

Within a year of the crash, sixteen OECD countries introduced wage subsidies, hiring bonuses or public works jobs to stem the rise in unemployment. While Spain had a huge public works programme, the United Kingdom went for 'golden hallos', offering up to £2,500 to firms that recruited anybody who had been unemployed for more than six months, giving £1,000 per worker on hiring and a further £1,500 for training. This was sure to swell the precariat, by expanding the number put into temporary jobs and tempting employers to sack existing workers and hire substitutes. South Korea also introduced a hiring subsidy under a policy that required employees to accept a wage freeze, removed bargaining rights and paid the subsidised recruits two-thirds of the wage of existing employees – spreading a multi-tier labour force. In the United States, the Obama administration managed to enact a US$13 billion scheme in 2010 that gave companies a tax credit if they hired unemployed jobseekers. Opportunistic employers would quickly work out how to do beneficial substitutions.

Other countries favoured short-time compensation schemes, mostly directed at manufacturing, by which employers could apply for temporary assistance to supplement wages of regular employees. By 2010, twenty-one EU countries had short-time job schemes covering more than 2.4 million workers; Germany's *Kurzarbeit* scheme alone accounted for 1.5 million workers, involving a wage subsidy stretching over two years. The subsidy offset 60 per cent of the loss of income from being on short time, a formula copied by others, such as the Netherlands. In the United States, seventeen states, including California, introduced a temporary cut in the payroll tax

and provision of unemployment benefits for those forced to work part-time.

Subsidised short time operates just like any labour subsidy. It involves moral and immoral hazards, rewarding inefficiency and poor performance. And it distorts markets, hindering the transfer of jobs to higher productivity areas. While subsidies are defended as 'keeping people in jobs, so preserving skills', and reducing the social costs of the recession (Atkins, 2009), they prevent people moving on and acquiring new skills or making better use of those they have.

Coupling short-time labour with government subsidies was one route by which full-time employees were converted into subsidised part-time members of the precariat. And since almost all short-time subsidies have a finite life, many will have only a temporary respite before losing their jobs altogether.

An ultimate irony of subsidies is that they do not fool people for long. While bolstering old jobs and promoting temporary labour, swelling the precariat in unsustainable ways, they leave a nasty taste. One disillusioned South Korean who seemed a recruit to the precariat was quoted as saying, 'Even if I get a job this way, I'll only work for a few months, and during that time I'll always feel like a pathetic extra who exists at the generosity of other workers' (Choe, 2009).

The shadow economy

One other factor has played a role in expanding the precariat. This is variously known as the shadow, grey or black economy. There are many reasons for believing it has grown and is underestimated by available statistics. De-industrialisation has played a part, as has the growth of numerical flexibility, since the shift from large-scale factories and office blocks of employment concentration makes handshake labour easier and harder to detect. The changing character of welfare states has also been relevant, undermining social solidarity and the principles underlying progressive direct tax and social insurance.

Whatever the reasons, the shadow economy is where much of the precariat survives, facing exploitation and oppression. A study by Friedrich Schneider of the University of Linz (*The Economist*, 2010b) estimated that the unofficial economy accounted for over a quarter of Greece's GDP, over 20 per cent of the GDP of Italy, Spain and Portugal, and over 10 per cent of the GDP of Germany, France and the United Kingdom. He attributed much of the tax evasion to 'tax rebellion', arguing that people are more reluctant to pay taxes if they do not think they are obtaining value from the services offered by the state. If so, cuts in public services to reduce budget deficits may encourage more tax rebellion, negating the impact of spending cuts on the deficit.

Given the size of the shadow economy and the existence of a cushion of shadowy labour, in times of relative boom, as before the crash of 2008, a considerable amount of labour goes unrecorded. Poor employment growth records may be misleading. By the same token, a recession may begin with a decline in shadow labour, giving the impression that employment is not falling by much and that unemployment is not rising by much, particularly as those in the shadows would be ineligible for state benefits.

This is consistent with the available data. In the first two years of recession, the fall in employment across Europe was only a third as large as the percentage contraction of the economy. In Spain, by

2010 recorded unemployment had risen to over 4.5 million, well past the level that trade unionists and others had predicted would lead to riots. There were no riots. Some observers attributed that to traditional tolerance of unemployment and family networks that could provide community benefits. Others thought it had more to do with the thriving underground economy. The tax inspectors' union, Gestha, estimated that the underground economy accounted for over 23 per cent of GDP and that it had expanded while recorded GDP was shrinking considerably.

A globalising open market economy characterised by informal contracts, part-time and temporary jobs, project orientation and myriad personal services is surely conducive to shadow labour. It is not an aberration; it is part of the global market system.

The decline of social mobility

Finally, and most revealingly of all, the stratifying character of the globalising labour process has produced a decline in upward social mobility, which is a feature of the precariat. As Daniel Cohen (2009: 19) said of French (and European) workers, today very few rise to middle management, and 'there is now a greater probability of remaining at the bottom of the wage scale for life'. In the United Kingdom, social mobility has declined, which has been linked to the growth of inequality. By 2010, as shown by the Labour government's National Equality Panel (see also Wilkinson and Pickett, 2009), it was harder for a child born into poverty to climb the social ladder than at any time since the 1950s. Those born in 1970 were less likely to have risen in social status than those born in 1958. It is just one sign that class still matters.

Most strikingly, given its self-image of unrivalled opportunity for upward mobility, the United States has long had declining social mobility. Inter-generational mobility is low by international standards (Sawhill and Haskins, 2009). Children born in the lowest and highest quintiles are even more likely to stay there than in the United Kingdom and much more likely to do so than in Sweden or Denmark. With inequality growing to record levels and social mobility declining, the neo-liberal economic and social model has surely failed in its claim to generate merit-based social mobility.

One reason for the slowdown in social mobility is that middle-income jobs have been whittled away. For example, in the United Kingdom, the number of jobs in the top wage decile grew by almost 80 per cent between 1979 and 1999. The second decile grew by 25 per cent, and the bottom two deciles also expanded (Goos and Manning, 2007). But jobs in the middle six deciles shrank. What this trend means, and it is repeated in many countries, is that the 'middle class' is suffering from income insecurity and stress, being pushed into the precariat.

Conclusions

There was a crude social compact in the globalisation era – workers were required to accept flexible labour in return for measures to preserve jobs so that the majority experienced rising living standards. It was a Faustian bargain. Living standards were maintained by

allowing consumption to exceed incomes and earnings to exceed what jobs were worth. While the latter fostered inefficiency and market distortions, the former put swathes of the population into bewildering debt. Sooner or later, the devil would have his due, a moment that for many came with the crash of 2008, when their diminished incomes fell below what was needed to pay off debts they had been encouraged to build. A new layer was about to join the precariat.

At the end of the globalisation era, the compact had broken down. On the employers' side, more wished to 'travel light'. On the workers' side, there was more stress, insecurity and psychological detachment. Work-related suicides increased in many countries, including France, Japan and across Scandinavia, the Mecca of social democracy. In the United States, they rose by 28 per cent in one year. Meanwhile, according to the Center for Work-Life Policy, a US consultancy, the proportion of employees professing loyalty to their employers fell from 95 to 39 per cent, and the proportion expressing trust in them fell from 79 to 22 per cent. In the age of the precariat, loyalty and trust are contingent and fragile.

One can see why the precariat is growing. But the greater the size, the more the dysfunctional aspects will grow ominous. Insecurities breed social illness, addictions and anomic angst. Prisons overflow. Robin Hood gangs lose their sense of humour. And dark forces spread in the political arena. We will come to those after considering who is entering the precariat and what is happening to the key assets of the global market society.